

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>ADAMS TOWNSHIP</b>	County <b>HOUGHTON</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/22/05</b>	Date Accountant Report Submitted to State: <b>9/1/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

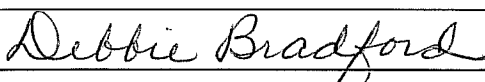
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BRUCE A. RUKKILA, CPA, PC</b>			
Street Address <b>310 SHELLEN AVENUE</b>		City <b>HOUGHTON</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49931</b>	Date <b>9/1/05</b>

**TOWNSHIP OF ADAMS**  
**HOUGHTON COUNTY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL FINANCIAL INFORMATION**

**March 31, 2005**

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### **INDEPENDENT AUDITOR'S REPORT**

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the accompanying general purpose financial statements of the Township of Adams, as of and for the year ended March 31, 2005. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not adopted the reporting format of Government Accounting Standards Board Statement No. 34.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the dollar amount of which we have not determined, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Adams, as of March 31, 2005, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

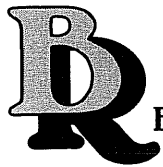
In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2005 on our consideration of the Township of Adams' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented as supplemental information and are not a required part of the general purpose financial statements of the Township of Adams. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects on the financial statements of the omissions described previously, the dollar amount of which we have not determined, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Bruce A. Ruhhila, CPA, PC*

Certified Public Accountants

June 22, 2005



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the financial statements of the Township of Adams as of and for the year ended March 31, 2005, and have issued our report thereon dated June 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance:**

As part of obtaining reasonable assurance about whether the Township of Adams' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, a noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting:**

In planning and performing our audit, we considered the Township of Adams' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

June 22, 2005

Certified Public Accountants

**TOWNSHIP OF ADAMS**  
**COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS**  
**March 31, 2005**

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type		Account Groups			TOTALS (Memorandum Only)	
	General			Enterprise		Agency		General			2005	
	Special Revenue			Debt Service		Fixed Assets		Long-Term Obligations			2004	
ASSETS AND OTHER DEBITS:												
Cash	\$ 371,092	\$ -	\$ -	\$ 572,116	\$ 35,792	\$ -	\$ -	-	-	\$ 979,000	\$ 872,610	
Accounts receivable	163	-	-	44,932	-	-	-	-	-	45,095	45,715	
Taxes receivable	14,321	4,652	3,000	-	-	-	-	-	-	21,973	21,024	
Special assessments	-	-	-	65,793	-	-	-	-	-	65,793	77,958	
Inventory	-	-	-	-	-	-	-	-	-	-	6,370	
Due from other funds	193,431	20,056	-	33,445	-	-	-	-	-	246,932	236,931	
Prepaid expenses	7,399	-	-	14,777	-	-	-	-	-	22,176	20,537	
Restricted cash	-	-	-	770,556	-	-	-	-	-	770,556	748,078	
Fixed assets	-	-	-	11,580,314	-	735,354	-	-	-	12,315,668	12,649,390	
Accumulated depreciation	-	-	-	(2,487,169)	-	-	-	-	-	(2,487,169)	(2,566,915)	
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	65,593	-	65,593	66,636	
TOTAL ASSETS AND OTHER DEBITS	\$ 586,406	\$ 24,708	\$ 3,000	\$10,594,764	\$ 35,792	\$ 735,354	\$ 65,593	\$12,045,617	\$12,178,334			
LIABILITIES:												
Accounts payable	\$ 13,385	\$ -	\$ -	\$ 21,783	\$ -	\$ -	\$ -	-	-	\$ 35,168	\$ 41,332	
Due to other funds	23,888	-	8,718	212,890	1,436	-	-	-	-	246,932	236,931	
Accrued vacation/sick pay	-	-	-	-	-	-	-	5,593	-	5,593	6,636	
Current maturities on bond payable	-	-	-	36,000	-	-	-	-	-	36,000	26,000	
Bonds payable - net of current maturities	-	-	-	2,677,000	-	-	-	60,000	-	2,737,000	2,783,000	
Due to other governmental units	-	-	-	-	34,356	-	-	-	-	34,356	18,267	
Accrued expenses	7,245	-	-	28,259	-	-	-	-	-	35,504	34,269	
Deferred revenue	14,322	4,652	3,000	55,049	-	-	-	-	-	77,023	98,982	
TOTAL LIABILITIES	58,840	4,652	11,718	3,030,981	35,792	-	65,593	3,207,576	3,245,417			



FUND EQUITY AND OTHER CREDITS:												
Contributed capital												
Retained earnings:												
Reserved												
Unreserved												
Investment in general fixed assets												
Fund balance:												
Reserved												
Unreserved												
TOTAL FUND EQUITY AND OTHER CREDITS												
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS												

		</										

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENTS OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**ALL GOVERNMENTAL FUND TYPES**  
**Year Ended March 31, 2005**

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	2005	2004
REVENUES:					
Taxes	\$ 46,973	\$ 22,080	\$ -	\$ 69,053	\$ 65,876
Tax special assessment	-	-	8,000	8,000	8,000
State	135,809	-	-	135,809	140,569
Charges for services	24,573	-	-	24,573	25,276
Interest	2,612	-	22	2,634	2,607
Other	20,817	-	-	20,817	36,449
<b>TOTAL REVENUES</b>	<b>230,784</b>	<b>22,080</b>	<b>8,022</b>	<b>260,886</b>	<b>278,777</b>
EXPENDITURES:					
Assessor	7,516	-	-	7,516	8,505
Supervisor	5,580	-	-	5,580	5,637
Clerk	9,422	-	-	9,422	7,065
Treasurer/Accounting	24,020	-	-	24,020	18,421
General services	5,874	-	-	5,874	1,777
Township Board	6,644	-	-	6,644	8,166
Cemetery	18,659	-	-	18,659	13,500
Public Works	32,163	-	-	32,163	34,423
Other activities	25,424	-	-	25,424	23,570
Recreation	3,732	-	-	3,732	6,013
Library	4,598	-	-	4,598	6,548
Constable	770	-	-	770	910
Elections	3,246	-	-	3,246	90
Maintenance buildings	32,969	-	-	32,969	52,164
Fire protection	22,464	6,724	-	29,188	33,050
Bond payments	-	-	-	-	15,000
Interest payments	-	-	1,422	1,422	4,856
<b>TOTAL EXPENDITURES</b>	<b>203,081</b>	<b>6,724</b>	<b>1,422</b>	<b>211,227</b>	<b>239,695</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>27,703</b>	<b>15,356</b>	<b>6,600</b>	<b>49,659</b>	<b>39,082</b>
OTHER FINANCING SOURCES (USES):					
Transfer in (out)	-	-	-	-	(4,977)
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>27,703</b>	<b>15,356</b>	<b>6,600</b>	<b>49,659</b>	<b>34,105</b>
<b>FUND BALANCE(DEFICIT), BEGINNING OF YEAR</b>	<b>499,863</b>	<b>4,700</b>	<b>(15,318)</b>	<b>489,245</b>	<b>455,140</b>
<b>FUND BALANCE(DEFICIT), END OF YEAR</b>	<b>\$ 527,566</b>	<b>\$ 20,056</b>	<b>\$ (8,718)</b>	<b>\$ 538,904</b>	<b>\$ 489,245</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND AND SPECIAL REVENUE**  
**Year Ended March 31, 2005**

	General			Special Revenue		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:						
Taxes	\$ 73,800	\$ 46,973	\$ (26,827)	\$ -	\$ 22,080	\$ 22,080
Tax special assessment	8,000	-	(8,000)	-	-	-
State	136,000	135,809	(191)	-	-	-
Charges for services	26,000	24,573	(1,427)	-	-	-
Interest	5,000	2,612	(2,388)	-	-	-
Other	19,300	20,817	1,517	-	-	-
TOTAL REVENUES	268,100	230,784	(37,316)	-	22,080	22,080
EXPENDITURES:						
Assessor	8,400	7,516	884	-	-	-
Supervisor	6,010	5,580	430	-	-	-
Clerk	9,720	9,422	298	-	-	-
Treasurer/Accounting	23,850	24,020	(170)	-	-	-
General services	68,000	5,874	62,126	-	-	-
Township Board	9,730	6,644	3,086	-	-	-
Cemetery	21,200	18,659	2,541	-	-	-
Public Works	52,775	32,163	20,612	-	-	-
Other activities	32,700	25,424	7,276	-	-	-
Recreation	5,100	3,732	1,368	-	-	-
Library	8,050	4,598	3,452	-	-	-
Constable	840	770	70	-	-	-
Elections	3,400	3,246	154	-	-	-
Maintenance buildings	45,300	32,969	12,331	-	-	-
Fire protection	36,650	22,464	14,186	-	6,724	(6,724)
TOTAL EXPENDITURES	331,725	203,081	128,644	-	6,724	(6,724)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (63,625)	27,703	\$ 91,328	\$ -	15,356	\$ 15,356
FUND BALANCE, BEGINNING OF YEAR		499,863			4,700	
FUND BALANCE(DEFICIT), END OF YEAR		\$ 527,566			\$ 20,056	

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended March 31, 2005**

	Proprietary Fund Type	Totals (Memorandum Only)	
	Enterprise	2005	2004
OPERATING REVENUES:			
Charges for services	\$ 471,478	\$ 471,478	\$ 483,810
Special assessment	48,673	48,673	34,424
Special assessment - operation & maintenance	34,410	34,410	33,648
Special assessment - debt retirement	49,205	49,205	53,878
Other	1,497	1,497	5,098
TOTAL OPERATING REVENUES	605,263	605,263	610,858
EXPENSES			
Salaries	82,773	82,773	78,114
Fees	1,395	1,395	775
Payroll taxes	7,908	7,908	8,122
Employee benefits	33,800	33,800	19,836
Supplies	43,622	43,622	39,482
Office supplies	4,418	4,418	3,556
Utilities	87,770	87,770	95,904
Printing and publishing	60	60	-
Insurance	25,981	25,981	29,762
Travel expenses	402	402	534
Repairs and maintenance	3,474	3,474	8,943
Professional services	4,000	4,000	4,859
Contract labor	7,935	7,935	7,417
Depreciation	289,178	289,178	236,619
Refunds	806	806	1,760
Miscellaneous	1,560	1,560	734
Engineering services	41,366	41,366	60,306
Contract Labor	814	814	-
TOTAL EXPENSES	637,262	637,262	596,723
OPERATING INCOME(LOSS)	(31,999)	(31,999)	14,135
NON-OPERATING REVENUES (EXPENSES):			
Transfer in (out)	-	-	4,977
Interest income	16,418	16,418	9,607
Interest expense	(137,475)	(137,475)	(141,933)
Gain/Loss on sale of equipment	(1,199)	(1,199)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(122,256)	(122,256)	(127,349)
NET INCOME(LOSS)	(154,255)	(154,255)	(113,214)
RETAINED EARNINGS, BEGINNING OF YEAR	1,932,427	1,932,427	1,901,487
ADJUSTMENTS TO FUND EQUITY:			
Depreciation on Contributed Capital	190,098	190,098	144,154
RETAINED EARNINGS, END OF YEAR	\$ 1,968,270	\$ 1,968,270	\$ 1,932,427

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended March 31, 2005**

	Totals (Memorandum Only)	
	<u>2005</u>	<u>2004</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (31,999)	\$ 14,135
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	289,178	236,619
Transfer In (Out)	0	4,977
(Increase) Decrease in accounts receivable	12,785	(63,954)
(Increase) Decrease in inventory	5,946	0
(Increase) Decrease in prepaid expenses	(1,286)	2,875
(Increase) Decrease in due from other funds	(11,349)	(2,846)
Increase (Decrease) in accounts payable	(11,708)	9,546
Increase (Decrease) in due to other funds	2,256	52,725
Increase (Decrease) in accrued expenses	238	2,414
Increase (Decrease) in deferred revenue	(22,909)	76,401
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>231,152</u>	<u>332,892</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Reductions of long-term debt	(36,000)	(26,000)
Interest paid on long-term debt	(137,475)	(141,933)
Purchase of fixed assets	(26,677)	(79,684)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(200,152)</u>	<u>(247,617)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments and deposits	<u>16,418</u>	<u>9,607</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	47,418	94,882
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>1,295,254</u>	<u>1,200,372</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 1,342,672</u></u>	<u><u>\$ 1,295,254</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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The Township was organized on March 19, 1867 and covers an area of approximately 47.5 square miles. The Township operates under an elected board of five members. In accordance with NCGA Statements 3 and 7, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Adams conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**THE FINANCIAL REPORTING ENTITY**

As required by generally accepted accounting principles, the financial statements of the Township of Adams contain all of the Township's funds. There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. Control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

**FUND ACCOUNTING**

The accounts of the Township are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund types and four generic funds as follows:

**GOVERNMENTAL FUND TYPES**

**General Fund** - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Fire Protection Fund is the Township's only Special Revenue Fund.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PROPRIETARY FUND TYPES**

Enterprise Funds - Enterprise Funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Funds are enterprise type funds.

**FIDUCIARY FUND TYPE**

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**FIXED ASSETS AND LONG-TERM LIABILITIES**

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. A public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-Term Debt Account Group are not "funds." Their purpose is related only to the measurement of financial position. They are not involved with measurement of results of operations.

TOWNSHIP OF ADAMS  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Operating statements of proprietary fund types present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method and the following estimated useful lives:

Utility Plant	10-20 years
Water & Sewer Systems	10-20 years
Buildings	10-20 years
Machinery and Equipment	5-10 years

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charge for services, sales, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are not accrued in the governmental fund types and Agency Funds.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when incurred.

The Trust and Agency Fund is accounted for on the basis of cash receipts and cash disbursements.



**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETARY DATA**

The Township follows these procedures in establishing the budgetary data:

- a. Each January, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following March 1, and submits this proposed budget to the Township Board of Trustees at the annual meeting in March.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

**PROPERTY TAXES**

Property taxes are levied on assessed values of property located in the Township and become an enforceable lien on the property. Assessed values are established annually (the first Monday in March) and equalized by the State. Township property taxes are levied on December 1, and are payable without a penalty through the following February 28. Property taxes are recognized as revenue in the year for which levied to the extent that they are measurable and available.

The Township collects its own property taxes, and also collects property taxes for the County and School District within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Trust and Agency Fund.

The 2004 taxable valuation of the Township of Adams amounted to \$29,266,382 on which ad valorem taxes of \$37,722 were levied for Township operating purposes, \$8,352 for Township lights, and \$22,540 for Township hydrants. These amounts are recorded as revenue on the Township's records in and for the fiscal year ending March 31, 2005.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**TOTAL COLUMNS ON COMBINED BALANCE SHEETS - ALL FUNDS**

The total columns on the combined statements of this report are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation which requires that inter-fund eliminations be made in the aggregation of this data.

**CASH AND INVESTMENTS**

For the purpose of the statement of cash flows, cash is defined as checking, money market, certificates of deposits and savings accounts.

**INVENTORY**

Inventory consists of expendable supplies and materials which are accounted for under the consumption method and accordingly are recorded as expenditures when they are used.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ENCUMBRANCES**

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

**NOTE B - CASH AND INVESTMENTS**

**CASH DEPOSITS**

At March 31, 2005, the book value of the Township's demand deposits, consisting primarily of certificates of deposit and other cash equivalents, was \$1,749,556 with a corresponding bank balance of \$1,755,554. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$1,422,998 representing approximately 81% of the Township's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$1,422,998 was insured and \$332,556 was neither insured nor collateralized.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE C - INTER-FUND RECEIVABLES AND PAYABLES**

The amounts of inter-fund receivables and payables at March 31, 2005 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 193,431	Trimountain Sewer	\$ 134,975
		Painesdale Sewer	31,618
		Atlantic Mine Sewer	8,465
		Retail Water	8,218
		Debt Service	8,718
		Tax Collection Funds	<u>1,436</u>
Sub-total	<u>193,431</u>	Sub-total	<u>193,430</u>
Retail Water	11,350	Atlantic Sewer	10,285
		General Fund	<u>1,066</u>
Sub-total	<u>11,350</u>	Sub-total	<u>11,351</u>
Fire Protection	<u>20,056</u>	General	<u>20,056</u>
Wholesale Water	22,095	Retail Water	19,329
		General	<u>2,766</u>
Sub-total	<u>22,095</u>	Sub-total	<u>22,095</u>
TOTALS	<u>\$ 246,932</u>	TOTALS	<u>\$ 246,932</u>

**NOTE D - PROPERTY, PLANT, AND EQUIPMENT**

A summary of the changes in the general fixed assets account groups is as follows:

	Balance 3/31/04	Additions	Deletions	Balance 3/31/05
Land	\$ 8,810	\$ 0	\$ 0	\$ 8,810
Land Improvements	126,227	0	0	126,227
Buildings	232,932	0	0	232,932
Building Improvements	182,378	0	0	182,378
Equipment	<u>175,284</u>	<u>9,723</u>	<u>0</u>	<u>185,007</u>
TOTALS	<u>\$ 725,631</u>	<u>\$ 9,723</u>	<u>\$ 0</u>	<u>\$ 735,354</u>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE E - WATER AND SEWER FUND FIXED ASSETS**

Changes in the Water and Sewer Funds Fixed Assets in 2005 are as follows:

	Balance 3/31/04	Additions	Deletions	Balance 3/31/05
Atlantic Sewer Fund	\$ 3,689,721	\$ 0	\$ 0	\$ 3,689,721
Wholesale Water Fund	2,652,472	3,289	370,121	2,285,640
Retail Water Fund	1,702,729	23,388	0	1,726,117
Painesdale Sewer Fund	3,878,836	0	0	3,878,836
<b>TOTALS</b>	<b>\$ 11,923,758</b>	<b>\$ 26,677</b>	<b>\$ 370,121</b>	<b>\$ 11,580,314</b>

**NOTE F - LONG-TERM DEBT**

Sewage Disposal Bond

Sewage Disposal System revenue bonds were issued in 1995 in the amount of \$661,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate not to exceed 4.5% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 1997. The payment schedule for the bond is as follows:

**SEWAGE DISPOSAL SYSTEM FUND**  
**SCHEDULE OF SEWAGE DISPOSAL SYSTEM REVENUE BONDS**

	March 31, 2005			
Fiscal Year	April 1 Interest	October 1 Interest	October 1 Principal	Total
2005-06	14,136	14,215	6,000	34,351
2006-07	14,000	14,078	8,000	36,078
2007-08	13,819	13,895	10,000	37,714
2008-09	13,667	13,667	11,000	38,334
2009-10	13,342	13,416	11,000	37,758
2010-11	13,092	13,165	12,000	38,257
2011-12	12,820	12,891	12,000	37,711
2012-13	12,618	12,618	13,000	38,236
2013-18	58,060	58,320	75,000	191,380
2018-23	48,725	48,942	95,000	192,667
2023-28	36,894	37,054	119,000	192,948
2028-33	22,149	22,223	147,000	191,372
2033-38	4,765	4,791	104,000	113,556
<b>TOTAL</b>	<b>\$ 278,087</b>	<b>\$ 279,275</b>	<b>\$ 623,000</b>	<b>\$ 1,180,362</b>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE F - LONG-TERM DEBT (Continued)**

Water Supply System Bonds

Water Supply System revenue bonds were issued in 1992 in the amount of \$1,553,000 for the purpose of acquiring and constructing the Township's Water Supply System. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Water Supply System. The bond bears an interest rate not to exceed 5.75% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after June 1, 1993. The payment schedule for the bond is as follows:

WATER SUPPLY SYSTEM FUND  
SCHEDULE OF WATER SUPPLY  
SYSTEM REVENUE BONDS

March 31, 2005

<u>Fiscal Year</u>	<u>June 1 Interest</u>	<u>December 1 Interest</u>	<u>June 1 Principal</u>	<u>Total</u>
2005-06	34,872	34,423	22,000	91,295
2006-07	34,232	33,750	23,000	90,982
2007-08	33,563	33,019	25,000	91,582
2008-09	33,019	32,258	26,000	91,277
2009-10	32,080	31,439	28,000	91,519
2010-11	31,265	30,591	29,000	90,856
2011-12	30,422	29,685	31,000	91,107
2012-13	29,685	28,720	33,000	91,405
2013-18	132,181	127,074	195,000	454,255
2018-23	100,480	93,441	256,000	449,921
2023-28	58,739	49,075	339,000	446,814
2028-33	9,686	4,095	192,000	205,781
<b>TOTAL</b>	<b>\$ 560,224</b>	<b>\$ 527,570</b>	<b>\$ 1,199,000</b>	<b>\$ 2,286,794</b>

Sewage Disposal System (Painesdale) Bond

Sewage Disposal System (Painesdale) revenue bond was issued in 2001 in the amount of \$918,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system serving the Painesdale area. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate not to exceed 4.5% per annum.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE F - LONG-TERM DEBT (Continued)**

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 2002.

SEWAGE DISPOSAL SYSTEM (PAINESDALE)  
SCHEDULE OF SEWAGE DISPOSAL  
SYSTEM REVENUE BONDS  
March 31, 2005

<u>Fiscal Year</u>	<u>April 1 Interest</u>	<u>October 1 Interest</u>	<u>October 1 Principal</u>	<u>Total</u>
2005-06	20,236	20,236	10,000	50,472
2006-07	20,009	20,009	10,000	50,018
2007-08	19,782	19,782	11,000	50,564
2008-09	19,532	19,532	11,000	50,064
2009-10	19,282	19,282	12,000	50,564
2010-11	19,010	19,010	12,000	50,020
2011-12	18,737	18,737	13,000	50,474
2012-13	18,442	18,442	13,000	49,884
2013-18	87,396	87,396	77,000	251,792
2018-23	77,902	77,902	95,000	250,804
2023-28	65,978	65,978	120,000	251,956
2028-33	51,147	51,147	148,000	250,294
2033-38	32,727	32,727	185,000	250,454
2038-42	9,903	9,903	174,000	193,806
TOTAL	<u>\$ 480,083</u>	<u>\$ 480,083</u>	<u>\$ 891,000</u>	<u>\$ 1,851,166</u>

2001 Special Assessment Bonds

Special assessment bonds were issued in 2001 in the amount of \$80,000 for the purpose of defraying part of the cost of road improvements to Spring Brook Lane Road in the Township. The bonds are being repaid from collections on certain special assessment rolls. In addition, the Township has pledged its full faith and credit for repayment of the bonds. The bonds bear an interest rate of 4.5% per annum.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE F - LONG-TERM DEBT (Continued)**

Bonds maturing in the years 2007 and thereafter, are subject to redemption prior to maturity, in any order of maturity and by lot within any maturity, at the option of the Township on any interest payment date after April 1, 2006, at par and accrued interest to the date fixed for redemption. The payment schedule for the bonds is as follows:

LONG-TERM DEBT  
SCHEDULE OF SPECIAL ASSESSMENT BONDS  
March 31, 2005

Fiscal Year	April 1 Interest	October 1 Interest	April 1 Principal	Total
2005-06	-	1,125	10,000	11,125
2006-07	1,125	1,013	5,000	7,138
2007-08	1,013	788	10,000	11,801
2008-09	788	563	10,000	11,351
2009-10	563	450	5,000	6,013
2010-11	450	225	10,000	10,675
2011-12	225	-	10,000	10,225
TOTALS	<u>\$ 4,164</u>	<u>\$ 4,164</u>	<u>\$ 60,000</u>	<u>\$ 68,328</u>

SUMMARY SCHEDULE OF LONG-TERM DEBT  
March 31, 2005

Fiscal Year	Interest	Principle	Total
2005-06	139,243	48,000	187,243
2006-07	138,216	46,000	184,216
2007-08	135,661	56,000	191,661
2008-09	133,026	58,000	191,026
2009-10	129,854	56,000	185,854
2010-11	126,808	63,000	189,808
2011-12	123,517	66,000	189,517
2012-13	120,525	59,000	179,525
2013-18	550,427	347,000	897,427
2018-23	447,392	446,000	893,392
2023-28	313,718	578,000	891,718
2028-33	160,447	487,000	647,447
2033-38	75,010	289,000	364,010
2038-42	19,806	174,000	193,806
TOTALS	<u>\$2,613,650</u>	<u>\$2,773,000</u>	<u>\$5,386,650</u>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE F - LONG-TERM DEBT (Continued)**

The following is a summary of the changes in long-term debt principal for the year ended March 31, 2005:

	Balance 3/31/04	Additions	Reductions	Balance 3/31/05
Enterprise				
Sewage Disposal	\$ 629,000	\$ 0	\$ 6,000	\$ 623,000
Water Supply	1,220,000	0	21,000	1,199,000
Painesdale Sewage	900,000	0	9,000	891,000
Total Enterprise	2,749,000	0	36,000	2,713,000
General Long-Term Debt Account Group	60,000	0	0	60,000
Total	<u>\$ 2,809,000</u>	<u>\$ 0</u>	<u>\$ 36,000</u>	<u>\$ 2,773,000</u>

**NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS**

The 1992 Water Supply System Revenue Bonds require that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At March 31, 2005, there was \$73,482 in the Bond Reserve account which is in compliance with bond requirements.

The 1995 Sewage System Revenue Bonds require that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At March 31, 2005, there was \$80,336 in the Bond Reserve account which is in compliance with bond requirements.

The 2001 Sewage Disposal System (Painesdale) Revenue Bond requires that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At March 31, 2005, there was \$18,023 in the Bond Reserve account which is in compliance with bond requirements.

**NOTE H - DEFERRED REVENUE**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The following schedule details deferred revenue as of March 31, 2005:

Fund	Property Taxes	Special Assessments	Total
General Fund	\$ 14,322		\$ 14,322
Fire Protection Fund	-	4,652	4,652
Baltic Sewer Fund	22,118		22,118
Painesdale Sewer Fund	1,930		1,930
Trimountain Sewer	29,619		29,619
Retail Water Fund	1,382	-	1,382
Debt Service	-	3,000	3,000
TOTAL	<u>\$ 69,371</u>	<u>\$ 7,652</u>	<u>\$ 77,023</u>



**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE I - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Township maintained six Enterprise Funds which provided water and sewer services. Segment information for the year ended March 31, 2005 is as follows:

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer
Operating Revenues	\$8,535	\$113,868	\$10,940
Depreciation	\$0	\$95,252	\$0
Operating Income (Loss)	\$8,465	\$12,955	\$(30,466)
Non-operating Revenue (Expense)	\$253	\$(39,367)	\$297
Net Income (Loss)	\$8,718	\$(26,412)	\$(30,169)
Property, Plant & Equipment Additions	\$0	\$0	\$0
Net Working Capital (Deficit)	\$74,477	\$167,733	\$(48,003)
Total Assets	\$96,595	\$3,953,870	\$125,159
Total Equity	\$74,477	\$3,029,322	\$(48,003)

	Atlantic Mine Sewer	Wholesale Water	Retail Water
Operating Revenues	\$71,408	\$271,348	\$129,164
Depreciation	\$104,768	\$53,477	\$35,681
Operating Income (Loss)	\$(50,817)	\$54,355	\$(26,491)
Non-operating Revenue (Expense)	\$(25,855)	\$(59,455)	\$1,870
Net Income (Loss)	\$(76,672)	\$(5,099)	\$(24,621)
Property, Plant & Equipment Additions	\$0	\$3,289	\$23,388
Net Working Capital (Deficit)	\$432	\$119,700	\$62,743
Total Assets	\$3,083,516	\$2,098,494	\$1,237,130
Total Equity	\$2,441,766	\$872,820	\$1,193,401

**NOTE J - ACCUMULATED UNPAID SICK LEAVE AND COMPENSATORY TIME**

Township employees accumulate sick leave days monthly at a rate of one day per month. The employees will be compensated, upon retirement, at the rate of half pay for accumulated sick leave days. The maximum sick leave accrual is ninety (90) days. Accumulated unpaid sick leave at March 31, 2005 was \$5,593.

**NOTE K - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE L - DEFINED CONTRIBUTION PLAN**

The Township is a member of the Manulife Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time employees working forty hours or more per week and elected Township officials are eligible to participate from their date of employment. The Township policy requires contributions of 75% from the Township and 25% from the employee/official's compensation. Voluntary contributions may be made up to a maximum of 10% of annual compensation. Township contributions for each employee and interest allocated to the employee's account are fully vested. Any amounts contributed voluntarily by the employee, under the plan, plus any interest earnings, are fully vested at the time of the contribution or crediting of investment earnings. The Township made contributions in the amount of \$3,905 for the fiscal year ending March 31, 2005.

**NOTE M - BUDGET OVER EXPENDITURES**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Activity</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variances</u>
General Fund - Treasurer/Accounting	\$23,850	\$24,020	(\$170)
Fire Protection Fund	\$0	\$6,724	(\$6,724)

**NOTE N - PRIOR PERIOD ADJUSTMENTS**

Governmental Funds

General Fund – There were three prior period adjustments: 1) Engineering fees were recorded in error as an expenditure and a due to Trimountain sewer fund. 2) A \$250 deposit was recorded twice in the prior year, an adjustment was made to adjust cash. 3) During the fiscal year March 31, 2003, general fund paid principal and interest for the special assessment bonds. Fund balance has been adjusted to record prior year expenditures and correct amount due to general fund. In addition, small adjustments were made to interest expense and interest revenue.

Debt Retirement Fund – There were two prior period adjustments: 1) During the fiscal year March 31, 2003, general fund paid principal and interest for the special assessment bonds. Fund balance has been adjusted to record prior year expenditures and correct amount due to general fund. 2) In addition, small adjustments were made to interest expense and interest revenue.

As a result of the above, the following adjustments were made:

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE N - PRIOR PERIOD ADJUSTMENTS (Continued)**

Governmental Funds (Continued)

	<u>General</u>	<u>Debt</u>
Cash	\$ (250)	\$ 0
Due from other funds	7,993	0
Due to other funds	8,063	(7,993)
Revenue	275	(25)
Expenses	(8,081)	18
Fund Balance	<u>\$ 8,000</u>	<u>\$ (8,000)</u>

Proprietary Funds

Baltic Sewer – Allowance for doubtful accounts were recorded in prior years. Deferred revenues have been adjusted to comply with the 90 day revenue recognition.

Painesdale Sewer – Allowance for doubtful accounts were recorded in prior years. Deferred revenues have been adjusted to comply with the 90 day revenue recognition.

Trimountain Sewer – There were two prior period adjustments: 1) Allowance for doubtful accounts were recorded in prior years. Deferred revenues have been adjusted to comply with the 90 day revenue recognition. 2) Expenditures for engineering fees were recorded in error as a due from general fund.

Atlantic Sewer – Accounts payable were understated and an adjustment to accounts payable and expenses were made.

As a result of the above, the following adjustments were made:

	<u>Baltic</u>	<u>Painesdale</u>	<u>Trimountain</u>	<u>Atlantic</u>
Accounts receivable	\$ 14,968	\$ 24,863	\$ 20,473	\$ 0
Due from other funds	0	0	(8,063)	0
Accounts payable	0	0	0	(177)
Deferred revenue	(21,070)	(27,152)	(28,178)	0
Revenue	590	7,667	(40)	0
Expenses	0	0	8,063	177
Retained Earnings	<u>\$ (5,512)</u>	<u>\$ 5,378</u>	<u>\$ (7,745)</u>	<u>\$ 0</u>

**NOTE Q - DEFICIT FUND BALANCES**

The Township had a retained earnings deficit in the Trimountain Sewer Fund in the amount of \$48,003.

**NOTE O - RECLASSIFICATION**

Certain items in the March 2004 financial statements have been reclassified to conform with the current year presentation.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**BALANCE SHEETS**  
**March 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash	\$ 371,092	\$ 304,717
Accounts receivable	163	163
Taxes receivable	14,321	13,772
Inventory	-	424
Due from other funds	193,431	210,135
Prepaid expenses	7,399	7,046
	<hr/>	<hr/>
TOTAL ASSETS	\$ 586,406	\$ 536,257
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES:		
Accounts payable	\$ 13,385	\$ 7,843
Due to other funds	23,888	8,531
Accrued expenses	7,245	6,248
Deferred revenue	14,322	13,772
	<hr/>	<hr/>
TOTAL LIABILITIES	58,840	36,394
	<hr/>	<hr/>
FUND EQUITY	527,566	499,863
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 586,406	\$ 536,257
	<hr/> <hr/>	<hr/> <hr/>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**Years Ended March 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
REVENUES:		
TAXES:		
Current property taxes	\$ 37,252	\$ 35,092
Special assessment - street lights	8,205	8,124
Yield tax	-	843
Commercial Forest Reserve (CFR)	1,516	689
Total taxes	<u>46,973</u>	<u>44,748</u>
STATE:		
State shared revenues	<u>135,809</u>	<u>140,569</u>
CHARGES FOR SERVICES:		
Administration and collection fees	13,923	14,391
Cemetery fees	10,650	10,885
Total charges for services	<u>24,573</u>	<u>25,276</u>
INTEREST	<u>2,612</u>	<u>2,582</u>
OTHER:		
Library	3,600	3,900
Refunds	-	44
Franchise fees	6,035	11,320
Reimbursements	2,343	6,988
Miscellaneous	6,289	11,662
Rentals	2,550	2,535
Total other	<u>20,817</u>	<u>36,449</u>
TOTAL REVENUES	<u>230,784</u>	<u>249,624</u>
EXPENDITURES:		
ASSESSOR:		
Tax supplies	916	1,305
Contract labor	6,600	7,200
Total assessor	<u>7,516</u>	<u>8,505</u>
SUPERVISOR:		
Salaries	5,560	5,560
Supplies	20	-
Travel expenses	-	27
Miscellaneous	-	50
Total supervisor	<u>5,580</u>	<u>5,637</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**(Continued)**  
**Years Ended March 31, 2005 and 2004**

	2005	2004
CLERK:		
Salaries	6,226	5,965
Office supplies	2,593	1,040
Printing and publishing	91	-
Travel expenses	512	60
Total clerk	9,422	7,065
TREASURER/ACCOUNTING:		
Salaries	18,174	16,495
Supplies	1,032	1,597
Printing and publishing	4,456	-
Travel expenses	358	329
Total treasurer/accounting	24,020	18,421
GENERAL SERVICES:		
Professional services	5,874	1,777
TOWNSHIP BOARD:		
Salaries	1,680	1,680
Supplies	1,929	1,507
Printing and publishing	1,429	4,467
Professional services	149	(710)
Contract labor	1,048	310
Community promotion	238	338
Miscellaneous	171	574
Total township board	6,644	8,166
CEMETERY:		
Salaries	12,745	8,860
Supplies	2,844	2,355
Utilities	132	124
Contract labor	1,125	2,150
Capital outlay	1,805	-
Miscellaneous	8	11
Total cemetery	18,659	13,500

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
(Continued)  
**Years Ended March 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
PUBLIC WORKS:		
Supplies	1,736	1,816
Utilities	29,125	27,800
Travel expenses	12	-
Contract labor	-	4,391
Miscellaneous	1,290	416
	<hr/>	<hr/>
Total public works	32,163	34,423
	<hr/>	<hr/>
OTHER ACTIVITIES:		
Payroll taxes	5,239	4,414
Employee benefits	3,905	3,939
Insurance	15,231	14,793
Board of Review	252	288
Miscellaneous	797	136
	<hr/>	<hr/>
Total other activities	25,424	23,570
	<hr/>	<hr/>
RECREATION:		
Supplies	184	-
Utilities	2,693	3,678
Contract labor	855	2,335
	<hr/>	<hr/>
Total recreation	3,732	6,013
	<hr/>	<hr/>
LIBRARY:		
Salaries	1,260	3,339
Supplies	-	28
Utilities	3,338	3,181
	<hr/>	<hr/>
Total library	4,598	6,548
	<hr/>	<hr/>
CONSTABLE:		
Salaries	770	910
	<hr/>	<hr/>
ELECTIONS:		
Salaries	1,641	-
Supplies	994	90
Printing and publishing	611	-
	<hr/>	<hr/>
Total elections	3,246	90
	<hr/>	<hr/>



**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**(Continued)**  
**Years Ended March 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
MAINTENANCE BUILDING:		
Salaries	8,397	9,659
Supplies	5,022	9,724
Utilities	14,643	7,181
Contract labor	4,907	15,268
Capital outlay	-	10,332
	<hr/>	<hr/>
Total maintenance building	32,969	52,164
	<hr/>	<hr/>
FIRE PROTECTION:		
Supplies	9,048	5,971
Utilities	6,516	5,445
Repairs and maintenance	2,350	1,498
Miscellaneous	4,550	141
	<hr/>	<hr/>
Total fire protection	22,464	13,055
	<hr/>	<hr/>
TOTAL EXPENDITURES	203,081	199,844
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27,703	49,780
OTHER FINANCING USES:		
Transfer in (out)	-	4,977
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES AND OVER EXPENDITURES AND OTHER FINANCING USES	27,703	44,803
FUND BALANCE, BEGINNING OF YEAR	499,863	455,060
	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	\$ 527,566	\$ 499,863
	<hr/> <hr/>	<hr/> <hr/>

**TOWNSHIP OF ADAMS**  
**FIRE PROTECTION FUND**  
**BALANCE SHEETS**  
**March 31, 2005**

	<u>2005</u>	<u>2004</u>
ASSETS:		
Taxes receivable	\$ 4,652	\$ 4,252
Due from other funds	20,056	4,700
	<hr/>	<hr/>
TOTAL ASSETS	\$ 24,708	\$ 8,952
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES:		
Deferred revenue	\$ 4,652	\$ 4,252
	<hr/>	<hr/>
FUND EQUITY:		
Fund balance	20,056	4,700
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 24,708	\$ 8,952
	<hr/> <hr/>	<hr/> <hr/>

**TOWNSHIP OF ADAMS**  
**FIRE PROTECTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**Year Ended March 31, 2005**

	<u>2005</u>	<u>2004</u>
REVENUES:		
Taxes	\$ 22,080	\$ 21,128
EXPENDITURES:		
Capital outlay	6,724	19,996
EXCESS OF REVENUES OVER EXPENDITURES	15,356	1,132
FUND BALANCE, BEGINNING OF YEAR	4,700	3,568
FUND BALANCE, END OF YEAR	<u>\$ 20,056</u>	<u>\$ 4,700</u>

**TOWNSHIP OF ADAMS**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEETS - ALL ENTERPRISE FUNDS**  
**Year Ended March 31, 2005**  
**With Comparative Totals for Year Ended March 31, 2004**

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	TOTAL (Memorandum Only)	
							2005	2004
ASSETS:								
Current assets:								
Cash	\$ 74,477	\$ 197,607	\$ 95,540	\$ 19,021	\$ 113,491	\$ 71,980	\$ 572,116	\$ 547,178
Accounts receivable:								
Charges for services	-	-	-	6,161	22,430	15,448	44,039	44,744
Retiree insurance	-	-	-	-	893	-	893	808
Special assessment	22,118	12,674	29,619	-	-	1,382	65,793	77,958
Inventory	-	-	-	-	-	-	-	5,946
Due from other funds	-	-	-	-	22,095	11,350	33,445	22,096
Prepaid insurance	-	-	-	-	8,465	6,312	14,777	13,491
Total current assets	96,595	210,281	125,159	25,182	167,374	106,472	731,063	712,221
Restricted assets:								
Cash	-	-	-	175,355	519,974	75,227	770,556	748,078
General fixed assets:								
Land and land improvements	-	68,761	-	2,000	22,503	39,941	133,205	133,205
Utility plant and equipment	-	3,810,076	-	3,687,721	2,263,136	1,605,267	11,366,200	11,709,644
Capitalized engineer studies	-	-	-	-	-	80,909	80,909	80,909
Accumulated depreciation	-	(135,248)	-	(806,742)	(874,493)	(670,686)	(2,487,169)	(2,566,915)
Total general fixed assets	-	3,743,589	-	2,882,979	1,411,146	1,055,431	9,093,145	9,356,843
TOTAL ASSETS	\$ 96,595	\$ 3,953,870	\$ 125,159	\$ 3,083,516	\$ 2,098,494	\$ 1,237,130	\$10,594,764	\$10,817,142
LIABILITIES:								
Current liabilities:								
Accounts payable	\$ -	\$ -	\$ 8,568	\$ -	\$ 1,084	\$ 12,131	\$ 21,783	\$ 33,489
Due to other funds	-	31,618	134,975	18,750	-	27,547	212,890	210,634
Current maturities on bond payable	-	9,000	-	6,000	21,000	-	36,000	26,000
Accrued expenses	-	-	-	-	25,590	2,669	28,259	28,021
Deferred revenue	22,118	1,930	29,619	-	-	1,382	55,049	77,958
Total current liabilities	22,118	42,548	173,162	24,750	47,674	43,729	353,981	376,102



**TOWNSHIP OF ADAMS**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS**  
**Years Ended December 31, 2005 and 2004**

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	TOTALS (Memorandum Only)	
							2005	2004
OPERATING REVENUES:								
Charges for services	\$ -	\$ -	\$ -	\$ 71,408	\$ 270,906	\$ 129,164	\$ 471,478	\$ 483,810
Special assessment	8,535	29,198	10,940	-	-	-	48,673	34,424
Special assessment - operation & maintenance	-	34,410	-	-	-	-	34,410	33,648
Special assessment - debt retirement	-	49,205	-	-	-	-	49,205	53,878
Other	-	1,055	-	-	442	-	1,497	5,098
TOTAL OPERATING REVENUES	8,535	113,868	10,940	71,408	271,348	129,164	605,263	610,858
EXPENSES								
Salaries	-	-	-	-	42,866	39,907	82,773	78,114
Fees	-	-	-	-	1,395	-	1,395	775
Payroll taxes	-	-	-	-	4,100	3,808	7,908	8,122
Employee benefits	-	-	-	-	33,800	-	33,800	19,836
Supplies	-	2,439	-	3,300	19,917	17,966	43,622	39,482
Office supplies	-	-	-	-	557	3,861	4,418	3,556
Utilities	-	1,474	-	4,268	44,767	37,261	87,770	95,904
Printing and publishing	-	-	-	-	-	60	60	-
Insurance	-	-	-	155	12,525	13,301	25,981	29,762
Travel expenses	-	-	-	-	402	-	402	534
Repairs and maintenance	-	-	-	731	1,187	1,556	3,474	8,943
Professional services	-	-	-	-	2,000	2,000	4,000	4,859
Contract labor	-	-	-	7,935	-	-	7,935	7,417
Depreciation	-	95,252	-	104,768	53,477	35,681	289,178	236,619
Refunds	-	806	-	-	-	-	806	1,760
Miscellaneous	70	128	40	1,068	-	254	1,560	734
Engineering services	-	-	41,366	-	-	-	41,366	60,306
Contract Labor	-	814	-	-	-	-	814	-
TOTAL EXPENSES	70	100,913	41,406	122,225	216,993	155,655	637,262	596,723
OPERATING INCOME (LOSS)	8,465	12,955	(30,466)	(50,817)	54,355	(26,491)	(31,999)	14,135



**TOWNSHIP OF ADAMS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**ALL ENTERPRISE FUNDS**  
**Year Ended March 31, 2005**  
**With Comparative Totals for Year Ended March 31, 2004**

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	TOTALS	
							2005	2004
RECONCILIATION OF OPERATING								
INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:								
Operating Income (Loss)	\$ 8,465	\$ 12,955	\$ (30,466)	\$ (50,817)	\$ 54,355	\$ (26,491)	\$ (31,999)	\$ 14,135
Adjustments to Reconcile Operating								
Income to Net Cash Provided by Operating Activities:								
Depreciation	0	95,252	0	104,768	53,477	35,681	289,178	236,619
Transfer In (Out)	0	0	0	0	0	0	0	4,977
(Increase) Decrease in accounts receivable	(1,048)	14,478	(1,440)	(205)	(913)	1,913	12,785	(63,954)
(Increase) Decrease in inventory	0	0	0	562	1,334	4,050	5,946	0
(Increase) Decrease in prepaid expenses	0	0	0	62	(710)	(638)	(1,286)	2,875
(Increase) Decrease in due from other funds	0	0	0	0	(11,394)	45	(11,349)	(2,846)
Increase (Decrease) in accounts payable	0	(7,189)	505	(349)	(4,753)	78	(11,708)	9,546
Increase (Decrease) in due to other funds	0	(50,000)	40,862	0	0	11,394	2,256	52,725
Increase (Decrease) in accrued expenses	0	0	0	0	(693)	931	238	2,414
Increase (Decrease) in deferred revenue	1,048	(25,222)	1,440	0	0	(175)	(22,909)	76,401
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,465	40,274	10,901	54,021	90,703	26,788	231,152	332,892
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Reductions of long-term debt	0	(9,000)	0	(6,000)	(21,000)	0	(36,000)	(26,000)
Interest paid on long-term debt	0	(40,298)	0	(28,170)	(69,007)	0	(137,475)	(141,933)
Purchase of fixed assets	0	0	0	0	(3,289)	(23,388)	(26,677)	(79,684)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	0	(49,298)	0	(34,170)	(93,296)	(23,388)	(200,152)	(247,617)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest on investments and deposits	253	931	297	2,315	10,751	1,871	16,418	9,607
NET CASH FLOWS FROM INVESTING ACTIVITIES	253	931	297	2,315	10,751	1,871	16,418	9,607
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	8,718	(8,093)	11,198	22,166	8,158	5,271	47,418	94,882
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	65,759	205,700	84,342	172,210	625,307	141,936	1,295,254	1,200,372
CASH AND RESTRICTED CASH, END OF YEAR	\$ 74,477	\$ 197,607	\$ 95,540	\$ 194,376	\$ 633,465	\$ 147,207	\$ 1,342,672	\$ 1,295,254



**TOWNSHIP OF ADAMS**  
**BALTIC SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Special assessment	\$     8,535	\$     8,770
EXPENSES:		
Miscellaneous	70	48
OPERATING INCOME	8,465	8,722
NON-OPERATING REVENUES (EXPENSES):		
Interest income	253	291
NET INCOME	8,718	9,013
RETAINED EARNINGS, BEGINNING OF YEAR	65,759	56,746
RETAINED EARNINGS, END OF YEAR	<u>\$     74,477</u>	<u>\$     65,759</u>

**TOWNSHIP OF ADAMS**  
**PAINESDALE SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Special assessment	\$ 29,198	\$ 12,934
Special assessment - operation & maintenance	34,410	33,648
Special assessment - debt retirement	49,205	53,878
Other	1,055	-
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	113,868	100,460
	<hr/>	<hr/>
EXPENSES:		
Supplies	2,439	3,638
Utilities	1,474	1,175
Insurance	-	200
Depreciation	95,252	39,777
Refunds	806	-
Miscellaneous	128	460
Professional Services	-	200
Contract Labor	814	-
	<hr/>	<hr/>
TOTAL EXPENSES	100,913	45,450
	<hr/>	<hr/>
OPERATING INCOME	12,955	55,010
NON-OPERATING REVENUES (EXPENSES):		
Interest income	931	1,450
Interest expense	(40,298)	(40,703)
	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(39,367)	(39,253)
	<hr/>	<hr/>
NET INCOME(LOSS)	(26,412)	15,757
RETAINED EARNINGS, BEGINNING OF YEAR	159,091	108,977
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	82,457	34,357
	<hr/>	<hr/>
RETAINED EARNINGS, END OF YEAR	<u>\$ 215,136</u>	<u>\$ 159,091</u>

**TOWNSHIP OF ADAMS**  
**TRIMOUNTAIN SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Special assessment	\$ 10,940	\$ 12,720
EXPENSES:		
Refunds	-	1,760
Miscellaneous	40	71
Engineering services	41,366	60,306
TOTAL EXPENSES	<u>41,406</u>	<u>62,137</u>
OPERATING INCOME(LOSS)	(30,466)	(49,417)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	297	342
NET INCOME(LOSS)	<u>(30,169)</u>	<u>(49,075)</u>
RETAINED EARNINGS(DEFICIT), BEGINNING OF YEAR	(17,834)	31,241
RETAINED EARNINGS(DEFICIT), END OF YEAR	<u><u>\$ (48,003)</u></u>	<u><u>\$ (17,834)</u></u>

**TOWNSHIP OF ADAMS**  
**ATLANTIC MINE SEWER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2005 and 2004**

	2005	2004
OPERATING REVENUES:		
Charges for services	\$ 71,408	\$ 70,992
Other	-	4,806
TOTAL OPERATING REVENUES	71,408	75,798
EXPENSES		
Salaries	-	1,134
Payroll taxes	-	146
Supplies	3,300	2,601
Utilities	4,268	4,652
Insurance	155	1,343
Repairs and maintenance	731	4,243
Professional services	-	1,649
Contract labor	7,935	6,892
Depreciation	104,768	104,768
Miscellaneous	1,068	144
TOTAL EXPENSES	122,225	127,572
OPERATING INCOME(LOSS)	(50,817)	(51,774)
NON-OPERATING REVENUES (EXPENSES):		
Transfer in (out)	-	4,977
Interest income	2,315	639
Interest expense	(28,170)	(28,418)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(25,855)	(22,802)
NET INCOME(LOSS)	(76,672)	(74,576)
RETAINED EARNINGS, BEGINNING OF YEAR	64,599	53,236
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	85,939	85,939
RETAINED EARNINGS, END OF YEAR	\$ 73,866	\$ 64,599

**TOWNSHIP OF ADAMS**  
**WHOLESALE WATER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2005 and 2004**

	2005	2004
OPERATING REVENUES:		
Charges for services	\$ 270,906	\$ 279,825
Other	442	-
TOTAL OPERATING REVENUES	271,348	279,825
EXPENSES		
Salaries	42,866	36,375
Fees	1,395	775
Payroll taxes	4,100	3,890
Employee benefits	33,800	19,836
Supplies	19,917	10,170
Office supplies	557	25
Utilities	44,767	45,267
Insurance	12,525	15,477
Travel expenses	402	390
Repairs and maintenance	1,187	2,517
Professional services	2,000	1,500
Depreciation	53,477	56,202
Miscellaneous	-	9
TOTAL EXPENSES	216,993	192,433
OPERATING INCOME	54,355	87,392
NON-OPERATING REVENUES (EXPENSES):		
Interest income	10,752	4,613
Interest expense	(69,007)	(72,812)
Gain/Loss on sale of equipment	(1,199)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(59,454)	(68,199)
NET INCOME (LOSS)	(5,099)	19,193
RETAINED EARNINGS, BEGINNING OF YEAR	777,078	754,979
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	750	2,906
RETAINED EARNINGS, END OF YEAR	\$ 772,729	\$ 777,078

**TOWNSHIP OF ADAMS**  
**RETAIL WATER**  
**DETAIL STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Charges for services	\$ 129,164	\$ 132,993
Other	-	292
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	129,164	133,285
	<hr/>	<hr/>
EXPENSES:		
Salaries	39,907	40,605
Payroll taxes	3,808	4,086
Supplies	17,966	23,073
Office supplies	3,861	3,531
Utilities	37,261	44,810
Printing and publishing	60	-
Insurance	13,301	12,742
Travel expenses	-	144
Repairs and maintenance	1,556	2,183
Professional services	2,000	1,510
Contract labor	-	525
Depreciation	35,681	35,872
Miscellaneous	254	1
	<hr/>	<hr/>
TOTAL EXPENSES	155,655	169,082
	<hr/>	<hr/>
OPERATING INCOME(LOSS)	(26,491)	(35,797)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,870	2,272
	<hr/>	<hr/>
NET INCOME(LOSS)	(24,621)	(33,525)
RETAINED EARNINGS, BEGINNING OF YEAR	883,734	896,307
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	20,952	20,952
	<hr/>	<hr/>
RETAINED EARNINGS, END OF YEAR	<u>\$ 880,065</u>	<u>\$ 883,734</u>

**TOWNSHIP OF ADAMS**  
**TRUST AND AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended March 31, 2005**

**TAX COLLECTION FUND**

	Balance 3/31/04	Additions	Deductions	Balance 3/31/05
ASSETS:				
Cash	\$ 114	\$ 944,363	\$ 944,363	\$ 114
TOTAL ASSETS	<u>\$ 114</u>	<u>\$ 944,363</u>	<u>\$ 944,363</u>	<u>\$ 114</u>
LIABILITIES:				
Due to General Fund	\$ 114	\$ 41,761	41,761	\$ 114
Due to Retail Water Fund	0	3,977	3,977	0
Due to Fire Protection Fund	0	18,820	18,820	0
Due to Debt Retirement Fund	0	5,000	5,000	0
Due to other governmental units	0	849,162	849,162	0
TOTAL LIABILITIES	<u>\$ 114</u>	<u>\$ 918,720</u>	<u>\$ 918,720</u>	<u>\$ 114</u>

**DELINQUENT TAX COLLECTION FUND**

	Balance 3/31/04	Additions	Deductions	Balance 3/31/05
ASSETS:				
Cash	\$ 20,601	\$ 108,600	\$ 93,523	\$ 35,678
TOTAL ASSETS	<u>\$ 20,601</u>	<u>\$ 108,600</u>	<u>\$ 93,523</u>	<u>\$ 35,678</u>
LIABILITIES:				
Due to General Fund	\$ 2,288	\$ 5,521	\$ 6,487	\$ 1,322
Due to Retail Water Fund	45	233	278	0
Due to other governmental units	18,268	102,846	86,758	34,356
TOTAL LIABILITIES	<u>\$ 20,601</u>	<u>\$ 108,600</u>	<u>\$ 93,523</u>	<u>\$ 35,678</u>

**TOTAL FUNDS**

	Balance 3/31/04	Additions	Deductions	Balance 3/31/05
ASSETS:				
Cash	\$ 20,715	\$ 1,052,963	\$ 1,037,886	\$ 35,792
TOTAL ASSETS	<u>\$ 20,715</u>	<u>\$ 1,052,963</u>	<u>\$ 1,037,886</u>	<u>\$ 35,792</u>
LIABILITIES:				
Due to General Fund	\$ 2,402	\$ 47,282	\$ 48,248	\$ 1,436
Due to Retail Water Fund	45	4,210	4,255	0
Due to Fire Protection Fund	0	18,820	18,820	0
Due to Debt Retirement Fund	0	5,000	5,000	0
Due to other governmental units	18,268	952,008	935,920	34,356
TOTAL LIABILITIES	<u>\$ 20,715</u>	<u>\$ 1,027,320</u>	<u>\$ 1,012,243</u>	<u>\$ 35,792</u>

**TOWNSHIP OF ADAMS**  
**GENERAL LONG-TERM DEBT ACCOUNT GROUP**  
**STATEMENT OF LONG-TERM DEBT**  
**March 31, 2005**

AMOUNT TO BE PROVIDED FOR THE PAYMENT OF LONG-TERM DEBT:

Amounts to be provided by future tax levies and charges for services	\$ <u>65,593</u>
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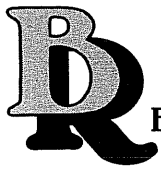
TOTAL AMOUNTS AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF LONG-TERM DEBT	\$ <u>65,593</u>
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LONG-TERM DEBT:

Accumulated and unpaid vacation/sick pay benefits	\$ 5,593
Bonds payable	<u>60,000</u>

TOTAL LONG-TERM DEBT PAYABLE	\$ <u>65,593</u>
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### LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the general purpose financial statements of the Township of Adams, for the year ended March 31, 2005, and have issued our report thereon dated June 22, 2005. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by generally accepted auditing standards.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

#### Budget Over Expenditures

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund - Treasurer/Accounting	\$23,850	\$24,020	(\$170)
Fire Protection Fund	\$0	\$6,724	(\$6,724)

We recommend that timely revisions be made to the budget so that these over expenditures do not occur in the future.

### Insured Deposits

We noted that approximately sixty-eight percent (81%) of the Township's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to increase the percent of deposits insured and to decrease the risk of loss to the Township.

### Deficit Retained Earnings

The Township had a retained earnings deficit in the Trimountain Sewer Fund in the amount of \$48,003.

We recommend that the Township monitor the fund balances of all funds more closely and take the steps to avoid such deficits in the future. In accordance with Public Act 275 of 1980 the Township must formulate and file a deficit elimination plan with the State Treasurer to correct the deficit situation. This plan must contain: (1) a copy of current trial balances showing the deficit eliminated; (2) copies of Township's resolutions approving operating transfers used to eliminate the deficit; and (3) a projected budget, approved by the Township, itemizing the revenues, expenditures and the changes in the fund balance.

### GASB 34

Although the Local Audit and Finance Division of the Michigan Department of Treasury has allowed a reporting exception to the implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34) for various Michigan local cities and municipalities, we recommend the Township adopt the major changes from GASB 34 to comply with GAAP. This requires the Township to issue government-wide financial statements based on full accrual accounting. This change will also require the Township to place a value on all capital assets, calculate depreciation, record offsetting long-term debt, and report information regarding the net value of assets on the government-wide financial statements.

We would like to thank the staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present the above suggestions and are prepared to discuss them at your convenience.

June 22, 2005

*Bruce A. Rukhila, CPA, PC*  
Certified Public Accountants